DEPARTMENT OF STATE

AIRGRAM

TEL0063 0901

263

HANDLING	CLASSIFICATION	MESSAGE REFERENCE NO.
A-42	UNCLASSIFIED	

TO: Department of State

FROM: AmEmbassy SEOUL DATE: April 24, 1979

E.O. 11652: N/A
TAGS: ETRD/ECRP, KS
SUBJECT: CERP 0520 Industrial Outlook Report: Footwear

REF: 77 State A-3552

Summary: Marking an increase of 17.6 percent over 1977, Korean footwear production last year equaled 290.4 million pairs. Of this total, 266.9 million pairs or 92 percent were exported to foreign markets. Footwear exports in 1978 grew by 52.8 percent in quantity and 44.4 percent in value. US, Japan, UK and Canada comprised 67 percent of the export market. This ratio fell from 81 percent the previous year. Due to increasing reluctance of workers to enter the industry, rising labor costs and continued restrictive measures by importing countries, no Korean footwear maker has indicated an intention to expand facilities in 1979. End Summary.

Production

Canvas shoes continued to be the principal product with 44 percent of total production (128 million pairs) followed by chemical shoes (14.9%), rubber boots (12.7%) and leather shoes (7.5%). The latter, however, showed the best growth rate, up 25.6 percent while production of rubber shoes fell 10.8 percent.

Enclosure:

Table 1-4

FAORC/DA/WC

DEPARTMENT OF STATE

U.S. MAY -2 AM 8:27

DEPT. DISTRIBUTION

ORIGIN/ACTION			
	COM		
AF	ARA	CU	EA
EB	EUR	INR	IO
L	NEA	PER	PM
REP	SCI	SS	SY
NMUK			
ASR	AID	AIR	ARMY
CIA	COM	DOD	DOT
FRB	HEW	INT	LAB
NAVY	NSA	NSC	OPIC
STR	TAR	TRSY	USIA
XMB			

SUGGESTED DISTRIBUTION:

UNCLASSIFIED

CLASSIFICATION

DRAFTED BY:	DRAFTING DATE	PHONE NO.	CONTENTS AND CLASSIFICATION APPROVED BY:
ECON:JAKlemstine/YUK:csh	4/23/79	4176	ECON:JAKlemstine

CLEARANCES:

FORM DS-323
11-72

DEPARTMENT OF STATE A/CDC/MR

REVIEWED BY NSC DATE 5/21/82

RDS☐or XDS☐EXT. DATE _____
TS AUTH. _____ REASON(S) _____
ENDORSE EXISTING MARKINGS ☐
DECLASSIFIED☐ RELEASABLE☐
RELEASE DENIED☐
PA or FOI EXEMPTIONS _____

The nine major firms (Table 1) continued to dominate the industry accounting for 76 percent of total production. ICC Corporation remained the number one producer, but its production growth was a minimal 1.2 percent. Sam Hwa with a 61 percent rise in production, rose to the number two position with 46.7 million pairs. Dae Woo also had a 60 percent growth rate and jumped to the seventh position. All three are major conglomerates with footwear, except for ICC, only one of several major lines of productive activity. ICC is also expanding into other businesses.

Exports

Exports to the United States rose 17 percent to 105.6 million pairs led by a 53 percent growth in rubber shoes and boots although the absolute amount (18.2 million pairs) remains small. Large declines ranging from 20.5 percent for chemical shoes to 35 percent for slippers were registered in other categories. Canvas shoes remained the principal export to the U.S., accounting for 61 percent of the total. The value of shoe and other footwear exports to the United States rose 37 percent to $417.8 million as higher priced and better quality merchandise was shipped. As past trends have indicated, effects of OMA's and restrictions have been to raise export prices, curtail exports of lower priced items, and reduced overall growth rates.

Japan remained Korea's second export market for footwear with 47 million pairs valued at $111 million. Leather shoe exports to Japan increased by 130 percent, with slippers (up 70 percent) and canvas shoes (66.7 percent) demonstrating above average growth rates. Overall, footwear exports to Japan increased by 47.3 percent in quantity and 53 percent by value.

The fastest growth in Korean footwear exports were to the British market. The quantity increase from 10 million pairs in 1977 to 16 million pairs in 1978 was overshadowed by a 117 percent gain in value to $39 million.

In the aggregate Korean footwear export amounted to 725.6 million 1978, a 44 percent increase from the previous year. The number of pairs shipped rose even faster to 266.9 million pairs, a 52.8 percent gain over 1978. The gain in quantity was due to expansion in new markets as restrictive measures kept down growth in traditional markets. Footwear exports for the first two months of this year showed a further slowdown in the growth rate, but some recovery was reported on March. Exports in January totaled $42 million, an increase of only 3 percent over January 1978. Exports increased slightly to $45 million in February and rose to $56 million in March, an increase of 23.6 percent over the same month of last year.

Effects of the OMA and Circumvention

A problem arising in 1978 was the surge in rubber footwears exports to the U.S. Although Korean totals of rubber footwear exports per se amounted to only 18.2 million pairs, it appears that other Korean categories, such as canvas shoes and chemical shoes, may include items that fall under the U.S. rubber footwear classification TSUS 700.60. According to U.S. statistics

imports of rubber footwear increased from 24.7 million pair to 59.5 million - a volume increase of 140 percent. This matter has been brought to the Korean government's attention and is under investigation.

Other problems include upgrading of unit prices, as noted above, and increases in footwear upper exports to the United States. (Those are included in the "other" category).

General Assessment of Industry's Viability

Financial statements of most Korean firms are not available until June. Preliminary indications are that the footwear industry as well as other export industries, suffered further deterioration in profit margins and cash flows as a result of tight money policies and slower growth in 1978. For one major footwear company, profits fell 48 percent.

Although some footwear producers continued to expand facilities in 1978, industry sources state that no expansion plans are under consideration for 1979. Korean businessmen in this industry claim that the OMA and increased restrictions eleswhere slowed the industry's real growth in 1978 to such an extent that the present high cost of capital and uncertain markets make significant expansion unprofitable at this time. However, footwear makers will continue to upgrade their facilities to improve the product and seek to develop new foreign markets in order to maintain the industry's viability.

GLEYSTEEN

Table 1. Korea's Major Footwear Makers and Annual Production

Unit: 1,000 pairs

Names	Production, Actual			% Change
	1976	1977	1978	78/77
ICC	60,334	66,779	67,559	1.2
Sam Hwa	26,129	28,998	46,673	61.0
Tae Hwa	41,270	42,194	42,267	0.2
Chin Yang	32,184	31,376	35,034	11.7
Tong Yang	18,764	19,469	22,461	15.4
Taejon	1,663	1,813	1,853	2.2
Dae Woo	703	1,151	1,807	60.0
Kum Kang	1,113	1,163	1,167	0.3
Dae Dong	1,398	1,522	1,680	10.4
Others	49,347	52,450	69,913	33.3
Total	232,905	246,915	290,414	17.6

Source: Korean Footwear Exporters Association.

Table 2. Korea's Footwear Production By Kind

Unit: 1,000 Pairs

	1976	1977	1978	% Change 78/77
Rubber Shoes	19,836	19,371	17,279	-10.8
Rubber Boots	31,628	36,021	36,926	2.5
Canvas Shoes	105,751	113,169	128,285	13.4
Chemical Shoes	33,209	38,712	41,804	8.0
Leather Shoes	17,744	17,262	21,681	25.6
Slipper	24,058	22,196	21,649	-2.5
Others	685	184	22,790	129 times
Total	232,911	246,915	290,414	17.6

Source: Korea Footwear Exporters Association.

Table 3. Korea's Footwear Exports By Country in Quantity

Unit: 1,000 pairs

	1976	1977	1978	% Change 78/77
U.S.				
Rubber shoes & Boots	11,319	11,886	18,187	53.0
Canvas Shoes	50,189	50,885	64,455	26.7
Chemical Shoes	4,614	4,539	3,611	-20.5
Leather Shoes	15,930	14,315	9,667	-32.5
Slipper	7,709	5,345	3,469	-35.1
Others	4,156	3,133	6,303	101.2
Total	93,917	90,103	105,692	17.3
Japan				
Rubber Shoes & Boots	4,305	7,983	8,816	10.4
Canvas Shoes	14,641	19,490	32,511	66.8
Chemical Shoes	483	796	748	-6.0
Leather Shoes	333	264	623	136.0
Slipper	1,267	1,817	3,094	70.3
Others	1,037	1,362	914	-32.9
Total	22,066	31,712	46,706	47.3
U.K.				
Rubber Shoes & Boots	457	465	473	1.7
Canvas Shoes	4,111	6,143	9,223	50.1
Chemical Shoes	318	261	928	255.6
Leather Shoes	37	218	235	7.8
Slipper	2,107	3,068	4,855	58.2
Others	12	138	195	41.3
Total	7,042	10,293	15,908	54.6

Table 3 (cont'd)

	1976	1977	1978	% Change 78/77
Canada				
Rubber Shoes & Boots	3,588	2,290	2,310	0.9
Canvas Shoes	6,258	4,064	5,750	41.5
Chemical Shoes	423	429	259	-39.6
Leather Shoes	261	304	265	-12.8
Slipper	1,374	920	839	-8.8
Others	1,621	1,094	1,267	15.8
Total	13,525	9,101	10,690	17.5
Other Countries				
Rubber Shoes & Boots	10,735	9,847	8,080	-18.0
Canvas Shoes	16,356	16,100	24,199	50.3
Chemical Shoes	735	1,235	2,119	71.6
Leather Shoes	757	1,743	1,299	-25.5
Slipper	13,636	14,043	13,216	-5.9
Others	2,075	773	14,917	1,829.8
Total	44,294	43,741	63,830	45.9
Total				
Rubber Shoes & Boots	29,947	32,006	37,393	16.8
Canvas Shoes	87,444	90,539	126,915	40.2
Chemical Shoes	6,255	6,999	6,737	-3.8
Leather Shoes	17,281	16,626	11,854	-28.7
Slipper	23,986	22,125	20,618	-6.8
Others	8,889	6,362	23,401	267.8
Grand Total	173,802	174,657	266,918	52.8

Source: Korean Footwear Exporters Association.

Table 4. Korea's Footwear Export By Major Country in Value

In million of dollars, FOB on Customs clearance basis

	1976	1977	1978	% Change 78/77
U.S.A.	264.9	304.4	417.8	37.3
Japan	47.6	72.7	111.2	53.0
Canada	28.6	21.7	30.4	40.0
U.K.	11.9	18.0	39.1	117.2
W. Germany	10.4	15.0	12.4	-17.3
France	11.4	14.1	20.1	42.6
Netherlands	6.0	11.5	18.1	57.4
Others	31.8	45.2	76.5	69.2
Total	412.6	502.6	725.6	44.4

Source: Korean Footwear Exporters Association.